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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF
ARIZONA TELEPHONE COMPANY, AN
ARIZONA CORPORATION, FOR A
HEARING TO DETERMINE THE EARNINGS
OF THE COMPANY, THE FAIR VALUE OF
THE COMPANY FOR RATEMAKING
PURPOSES, AND TO INCREASE
RESIDENTIAL RATES AS NECESSARY TO
COMPENSATE FOR THE RATE IMPACTS
OF THE FCC'S USE/ICC
TRANSFORMATION ORDER.

DOCKET NO. T-02063A-13-0411

**STAFF'S NOTICE OF FILING
TESTIMONY SUMMARY OF PAMELA
GENUNG**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Testimony Summary
of Pamela Genung in the above docket.

RESPECTFULLY SUBMITTED this 24th day of March, 2014.

Charles H. Hains, Attorney
Maureen Scott, Senior Staff Counsel
Attorneys, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies of
the foregoing filed this 24th day of
March, 2014, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

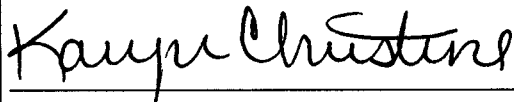
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MAR 24 2014

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1 Copy of the foregoing emailed/mailed
2 this 24th day of March, 2014, to:

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**EXECUTIVE SUMMARY OF PAMELA GENUNG
ARIZONA TELEPHONE COMPANY
DOCKET NO. T-02063A-13-0411**

On November 27, 2013, Arizona Telephone Company ("Arizona Telephone" or "Applicant") filed an application for a determination of its earnings and the fair value of its investment and requested that its residential rates be increased as necessary to compensate for the rate impacts of the Federal Communication Commission's ("FCC's") November 18, 2011, USF/ICC Transformation Order ("USF/ICC Order") pursuant to Arizona Revised Statute ("A.R.S.") § 40-250.

Staff recommends that the Arizona Telephone monthly residential local exchange rate increase from \$14.00 to the lesser of \$19.00 or the 2014 local service rate floor established by the FCC. Staff further recommends that the rate increase become effective on the rate floor compliance date, as determined by the FCC. Staff believes the proposed increase is just, fair and reasonable for the following reasons:

- The increase is necessitated by the FCC's November 18, 2011 USF/ICC Order;
- The increase is necessary to preserve the entirety of the Federal Universal Service Fund ("FUSF") funds that may flow to Arizona Telephone pursuant to the FCC's rules;
- The increase will minimize/reduce the amount of future rate increases; and
- The increase will allow the Applicant to receive matching funds from the FUSF.

Staff further recommends that any future rate increase applications filed by Arizona Telephone be processed per full A.A.C. R14-2-103 requirements, not streamlined.